



Recent Developments in the EU Directive on Oil Stocks

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● Current legislation

- Origins dating back to 1968, no major change of substance since then
 - » Amended in 1972 and 1998
 - » Codified in 2006
- Circumstances changed over time
 - » internal market: completion, enlargements
 - » globalization of oil markets, role of financial markets
 - » IEA established in 1970s
 - » decreasing indigenous production

Change is needed

- Current system: no hard proof of failure but some concerns about e.g.:
 - » Availability of some stocks in a major crisis
 - » Use of “tickets”; use of stocks as assets; etc.
 - » Efficient interaction with IEA system



- The March 2007 European Council called for the review of EU oil stocks mechanisms with emphasis on:
 - » availability of stocks in the event of a crisis
 - » complementarity with the IEA crisis mechanism

● EU vs. IEA Emergency Stocks

EU

- Based on consumption of 3 product groups
- Max. 25% reduction for producers
- Crude oil is recalculated to product equivalent
- Monthly reporting and assessment
- Stock levels are published
- Infringement procedure in case of non-compliance

IEA

- Based on net imports of oil and oil products (excl. naphtha)
- Product stocks are converted into crude oil equivalent
- Stock reduced by 10% to take account of unavailable stocks
- Monthly reporting and quarterly assessment
- No legal power on non-compliant countries

● Public/Stakeholder Involvement

- Fossil Fuels Forum (“Berlin Forum”)
 - » Plenary sessions
 - » Working parties
- Impact Assessment study
- Public Consultation
 - » Commission document in April 2008
 - » 40 contributions received by June

- Main elements of the proposal (1)
 - Adopting IEA methodology to maximum possible extent
 - » 90-day obligation based on net imports (not consumption)
 - » but retaining current obligation for producing countries
 - Underlining preference for government/agency stocks
 - » though only an option for the moment (MS retain flexibility)
 - » 3-year review clause

● Main elements of the proposal (2)

- Clarification of the procedures for emergency situations
 - » enabling the EU to contribute better to an IEA action
- Reinforced verification
 - » possibility of audits, spot checks
- Provisions facilitating the weekly reporting of commercial stocks
 - » implementing provisions after due diligence

Who will be negatively affected? (1)

- No additional burden is expected on MS which have done a good job so far
 - » Also depending on practical arrangements chosen
- Administrative burden may actually decrease
 - » Especially for MS with IEA membership
- No significant change of stock levels is expected
 - » Most MS already comply with IEA obligation

● Who will be affected ? (2)

- Some MS might have to establish a central entity
 - » To which (esp. smaller) companies can delegate their obligation
 - » Which would not necessarily own the emergency stocks
- Weekly reporting of commercial stocks might entail a burden for MS and industry
 - » This will be evaluated in a forthcoming study
- Some extra work in the Commission is expected
 - » Audits, alignment of reports handling

● How this will impact security of oil supply ?

(1)

● Improved assurance about the availability of stocks

» Clarifying criteria of availability

- No pledging
- Identification of stocks
- Restrictions on international “tickets”

» Indicated preference for partial government/agency stockholding, held as products (“specific stocks”)

» Audits/inspections

● How this will impact security of oil supply ? (2)

- Better crisis management, in conjunction with the IEA
 - » Simplified/streamlined procedures for participation in IEA actions
 - » Adapting IEA methodology helps to establish a common basis for evaluating the emergency preparedness of MS

● Next steps (1)

- Revising the MOS questionnaire
 - » TREN/EUROSTAT/IEA technical working group established
 - » Objective
 - To have a single reporting tool which satisfies the requirements of all three parties
 - To reduce reporting burden
 - » In particular
 - To incorporate the reporting on commercial stocks
 - To incorporate specific stocks
 - To take other specific elements of the EU directive into account

● Next steps (2)

● Study on the reporting of commercial stocks

- » Monthly frequency specified in the final version of the directive
- » Nevertheless, Commission continues the execution of the external study on weekly reporting
 - Cost and benefit analysis
 - How to establish a weekly reporting mechanism
- » Mott MacDonald selected in mid-2009
- » Final report expected in May

● Next steps (3)

- Longer-term actions
 - » Emergency planning and preparations
 - To revise internal emergency response procedures
 - To clarify with Member States and the IEA the tools for coordination of crisis management
 - Assisting non-IEA Member States and Energy Community Members
 - » Consulting the Coordination Group “by electronic means”
 - To create an IT-based communication tool
 - » Reviews of Member States’ emergency preparedness and stockholding
 - To develop procedures and standards
 - To coordinate with the IEA



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